S. HRG. 101-676

NOMINATIONS OF ROBERT C. LARSON, OF MICHIGAN, AND PHILIP CHAPPELL JACKSON, JR., OF ALABAMA

HEARING

BEFORE THE

COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS UNITED STATES SENATE

ONE HUNDRED FIRST CONGRESS

SECOND SESSION

ON

THE NOMINATIONS OF

ROBERT C. LARSON, OF MICHIGAN, TO BE A MEMBER OF THE OVERSIGHT BOARD OF THE RESOLUTION TRUST CORPORATION FOR A TERM OF 3 YEARS [NEW POSITION]

AND

PHILIP CHAPPELL JACKSON, JR., OF ALABAMA, TO BE A MEMBER OF THE OVERSIGHT BOARD OF THE RESOLUTION TRUST CORPORATION FOR A TERM OF 3 YEARS [NEW POSITION]

APRIL 3, 1990

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THE NOMINATIONS OF ROBERT C. LARSON, OF MICHIGAN, TO BE A MEMBER OF THE OVERSIGHT BOARD OF THE RESOLUTION TRUST CORPORATION FOR A TERM OF 3 YEARS [NEW POSITION] AND PHILIP CHAPPELL JACKSON, JR., OF ALABAMA, TO BE A MEMBER OF THE OVERSIGHT BOARD OF THE RESOLUTION TRUST CORPORATION FOR A TERM OF 3 YEARS [NEW POSITION]

TUESDAY, APRIL 3, 1990

U.S. SENATE,
COMMITTEE ON BANKING, HOUSING, AND URBAN AFFAIRS,
Washington, DC.

The committee met at 2:30 p.m., in room SD-538 of the Dirksen Senate Office Building, Senator Donald W. Riegle (chairman of the committee) presiding.

Present: Senators Riegle, Cranston, Sanford, Shelby, Graham, Bryan, Garn, Heinz, D'Amato, Gramm, Bond, Mack, Roth, Kassebaum, and Pressler.

OPENING STATEMENT OF CHAIRMAN RIEGLE

The CHAIRMAN. The committee will come to order. I apologize for the late start. I welcome our two nominees before us today. And I'll have some comments to make about them after a few introductory remarks are made. And then I will go to my colleagues. And then to Senator Levin, who is here for introduction purposes, as well.

Before we begin the hearing this afternoon, I would like to announce for the record that as members arrive, they will be recording their votes on favorably reporting the nominations of Edward W. Kelley, Jr., to be a member of the Board of Governors of the Federal Reserve System—which should sound familiar to you, Mr. Jackson—and Robert H. Swan to be a member of the National Credit Union Administration Board.

We will begin the period of voting now and it will extend until the hearing concludes, and if any quorum is established in that time, a final vote will be announced as we adjourn, and the measure will be reported to the full Senate. And so I hope that all members will manage to come by so that we can establish that quorum for that purpose.

Senator SHELBY. Mr. Chairman, will we be voting in block?

The CHAIRMAN. Yes.

This afternoon's hearing is a very important one because it covers the nominations of Robert C. Larson and Philip C. Jackson to the Oversight Board of the Resolution Trust Corporation. These men have been nominated to be members of the Oversight Board overseeing the RTC, the largest single financial institution in the United States and soon will be the largest financial institution in the world. They will need to draw upon all their considerable experience to help the RTC get moving.

The RTC has over 400 thrifts with over $200 billion in assets under its control at the present time. The administration has projected that the RTC case load will grow to over $500 billion in assets. The administration's Thrift Rescue Plan was based upon estimates that have proven, already, to be faulty.

The Office of Management and Budget projected that Revcor interest rates would decrease to 6.5 percent by 1991; and interest rates on 30-year Revcor bonds in fact increased 9 percent as of April 2, 1990.

The OMB projected that savings and loan deposits would increase by 7.2 percent; savings and loan deposits actually decreased by $26 billion in 1989.

The OMB predicted that private capital would be flowing to 400 marginally capitalized thrifts to keep them from failing. Now the RTC announces that it is considering giving "open thrift assistance" in the form of Government cash infusions to keep those marginally capitalized thrifts off the RTC's caseload.

These two nominees, if confirmed, face an awesome task. In addition to the economic problems just described, there is evidence that the Oversight Board has had some serious problems with infighting. Daniel Carney, who was formally introduced to this committee the day before he took his office as President of the Oversight Board, and who is well respected by the members of this committee and the business community at large, his resignation sent an alarming signal that the Oversight Board was not being managed as the independent body that Congress meant for it to be.

Let me also add that the nominees today present the sort of depth and breadth of experience that their positions demand. Mr. Larson has been, for over a decade, the President of the Taubman Company, one of the nation's leading owners, developers and managers of retail and commercial real estate. He is well known to me. I can't imagine a person within my scope of knowledge better qualified to accept this position. I'm very much in support and encouraged by the nomination.

In addition to his service on the Board of Governors of the Federal Reserve, Mr. Jackson, for his part, has served in many capacities in finance and industry, including President of the Mortgage Bankers Association, Vice Chairman of the Central Bank of the South, and Director of the USG Corporation.

To those who might argue that you can't find qualified people to fill important Government positions, I would say that that just isn't so. The two nominees before us are proof of that fact.

So I look very much forward to your testimony today, as we move into that. And, more importantly, if you're confirmed, which

I assume will be the case, I very much look forward to your efforts to help the Oversight Board and the RTC move forward.

Let me now yield to Senator Garn and any of my other colleagues who may have comments, and then we'll call on Senator Levin.

OPENING STATEMENT OF SENATOR GARN

Senator GARN. Thank you, Mr. Chairman.

In the past, I've expressed a great deal of concern that the administration has not moved quickly enough to implement the plan that the Congress enacted to resolve the thrift crisis last summer. Filling key positions at the agency is certainly crucial to that implementation going on.

For that reason, I'm certainly glad the two of you are here today. The President has sent his nominations up for the two independent members of the Oversight Board.

The Oversight Board has, as the Chairman has indicated, an extremely tough job establishing the strategies, policies and the goals of the RTC, the on-going task of monitoring the RTC, and the ultimate challenge of being accountable for the RTC. I agree with the Chairman that both of you are excellent nominations, and I certainly see no problem with your confirmation, at all.

So I welcome you here today, and I will only make brief summary of what I think people are tired of hearing, my broken record speech, that time is of the essence. This is a speech I started giving in 1986 about the thrift crisis. The Chairman was also on the committee then, and was very valiant in helping me pass a $15 billion FSLIC recap bill to be paid for entirely by the United States, itself, in October of 1986. And here we are, 3½ years later, still with very little having taken place. A bill passed 8 or 9 months ago, which this committee passed very rapidly, after the President sent it up.

And I realize the difficulties with many of the decisions, how hard they are and how complex the decisions are. But I still must impress on you the need for making those decisions and pushing very hard, or this crisis will continue to grow. The estimates that some of us were making in 1986 which we thought were a lot of money when we were talking about $20 billion or $25 billion. Now people are talking about $200 billion. Unless we get on with it very very rapidly, we're going to be talking about $300 billion and $400 billion.

So that's my broken record speech. Maybe I just should have sent you the broken record, instead of making you listen to it.

But, anyway, we're pleased you're here.

Thank you, Mr. Chairman.

The CHAIRMAN. Let me say that Senator Shelby has great pride in the nomination of Mr. Jackson, who is before us. He has spoken very highly of Mr. Jackson to me and the committee.

And I call on Senator Shelby now, for his remarks.

OPENING STATEMENT OF SENATOR SHELBY

Senator SHELBY. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, it gives me great pleasure and it's a real honor to join in pushing for the confirma-

tion of Philip Jackson. Some of you might know Mr. Jackson. He's not even a stranger to this Banking Committee. He was before this Banking Committee several years back when he was nominated and then confirmed to be a member of the Board of Governors of the Federal Reserve. He served with distinction there.

He has been in the banking business for a number of years, which he retired from, basically, last year. He is a former President of the Mortgage Bankers' Association of America. I have known him personally for about 25 years, having done business with his investment firm that he founded and started many years ago in Birmingham.

I believe, Mr. Chairman, that in Philip Jackson, we're getting experience, we're going to get integrity, and we're going to get things moving. And that's important to this Committee, as you just pointed out.

The CHAIRMAN. Thank you, Senator Shelby.

Senator Gramm.

OPENING STATEMENT OF SENATOR GRAMM

Senator GRAMM. Mr. Chairman, let me join all of our colleagues here, in saying that I'm delighted with these nominees. I intend to support them.

I want to thank both of you for your willingness to serve in a very difficult task. I want to say, as a member of this committee who will be overseeing your good work, I will never criticize you for being bold and decisive, to take off, and I'll be brief in following up our distinguished ranking Republican's comments, but I think our problem that we face here is the problem of getting on with the job. And our whole approach reminds me of the McClellan problem that Lincoln had where he always said that McClellan had the slows.

We need to act and act decisively. And I just want to urge you to get on with the job. In my mind, if we let 5 years pass and we have not gotten the RTC out of existence, that we have not well served the public. I think the quicker we can get on with the job of getting these assets back into public hands, back on local tax rolls, back into the production of goods and services and the generation of jobs, the better off we'll be.

And especially in the case of Mr. Jackson, who is an old school teacher like me, I want to remind him of Walter Badgett's famous recommendation he gave to central bankers. When in doubt, lend boldly at a high rate of interest. [Laughter.]

Senator GRAMM. I want you to take the "lend boldly" seriously and act, and I want to assure you that I'll be there supporting what you're trying to do.

Thank you, Mr. Chairman.

The CHAIRMAN. Senator Heflin is coming in and I know wants to make some introductory remarks for Mr. Jackson.

As he's coming up, let me now call on my distinguished colleague from Michigan, Senator Levin. We're very pleased to have you with us today. And we know you're here to formally introduce Mr. Larson. We'd like to have you do so at this time.

OPENING REMARKS OF SENATOR LEVIN

Senator LEVIN. Mr. Chairman, Senator Garn, members of the committee, it's a real pleasure to be here to introduce Bob Larson, who is a constituent of ours, Mr. Chairman, indeed, someone who is well known and well respected by both of us and by everybody who knows him.

As you indicated, he is the CEO of the Taubman Company. In addition to that, he has been involved in civic and community affairs to a great extent. He is Chairman of the Board of the National Urban League; he is a Board Member of our Children's Hospital in Michigan. He is the Director of the Detroit Economic Growth Corporation. He's a trustee of the Detroit Symphony Orchestra Hall, among others. He's made major contributions to our community. He's donated a great deal of his time and talent to our community.

The RTC is, as you all know better than I do, is undertaking a major financial effort, perhaps the largest financial challenge that has ever been faced by any group in this country's history. Mr. Chairman, this Government is in a hole with the S&L's and it needs help. We need people of high calibre and complete integrity from the private sector, from outside Government. That dedicated citizens, like Bob Larson, are willing to contribute their energy and talents to this Oversight Board is just one of the reasons why this democracy is so strong. It takes that kind of willingness on the part of our citizens. It is a thankless job that they are agreeing to, our nominees here today. I commend them for doing so and I'm particularly pleased to be here with Bob Larson as he is facing this committee.

The CHAIRMAN. I might just say, Senator Levin, that I associate myself with all of the comments that you've just made in making that formal introduction. We from Michigan are very proud of this nomination, very proud of this individual in terms of the breadth of commitment across a broad spectrum of professional, business and public service activities. I'm very proud, as well, that you've evidenced, Mr. Larson, a willingness to serve. You certainly bring the ability with you.

Let me now recognize the senior Senator from Alabama who has asked to come and testify, and introduce Mr. Jackson. We're very pleased to have you, Senator Heflin. We'd like to hear from you next, please.

OPENING REMARKS OF SENATOR HEFLIN

Senator HEFLIN. I apologize for being late. I wanted to be here with Senator Shelby in introducing and recommending the confirmation of Philip Jackson as a member of the Oversight Board of the Resolution Trust Corporation.

I have known Philip Jackson for a long, long time. My staff person had prepared a statement here and he left a blank here as to how long I'd known him. And I go back, well, I think probably about the time that I finished college in about 1942. So that goes back a long time that I've known him. I have followed his career with great interest and with great admiration over a period of certainly more than 40 years.

His family is a family that must be seventh or eighth generation Alabamians. They've been outstanding in the business world in banking and mortgages and also in many other ways in civic endeavors. He, of course, has added luster to his family's name.

When I came to Washington in 1979, as a member of the U.S. Senate, Philip Jackson was serving as a member of the Board of Governors of the Federal Reserve System. And I got an opportunity to visit with him on frequent occasions and to find that high esteem in which he was held by other members of the Board of Governors, and by people in Government who were acquainted with him.

He left, went back, and became the Vice Chairman of the Central Bank in Alabama, which is one of our largest banks in the State, and I visited on a number of occasions with the officers of that bank and their board. I used to go by about every year to visit with them, and he'd been the Chairman of the Advisory Board of the Federal National Mortgage Association as a contributing author to a work on mortgage banking.

I think that he will bring great experience which will be invaluable in helping the Resolution Trust Corporation solve the crisis facing this nation. He's been very active in many other things; in a home for the aging, the YMCA, his church, and right now, he is an adjunct professor at my alma mater, Birmingham Southern College, where he has also served for more than a decade as a member of its Board of Trustees.

It's a great pleasure to participate in the introduction and I highly recommend for fast action on the part of this committee, the name of Philip Jackson for a member of the Oversight Board of the Resolution Trust Corporation.

Senator SHELBY. Mr. Chairman?

The CHAIRMAN. Yes, Senator Shelby?

Senator SHELBY. Earlier, before Senator Heflin came in, you gave me an opportunity also to introduce Mr. Jackson. I'm grateful for that. I neglected to ask that my entire statement, including a comment published by Irving Sprague that says potential for buyers to profit is the key to RTC asset sales, and I ask unanimous consent that this be made a part of the record.

Senator HEFLIN. And I ask that my formal statement be made part of the record.

The CHAIRMAN. Without objection, these will be made part of the record.

[The complete prepared statement of Senator Shelby follows:]

Richard Shelby

STATEMENT BY SENATOR RICHARD SHELBY
AT CONFIRMATION HEARING FOR
PHILIP C. JACKSON AND ROBERT C. LARSON
TO BE MEMBERS OF THE RTC OVERSIGHT BOARD
APRIL 3, 1990

MR. CHAIRMAN, I HAVE ALREADY TAKEN THIS COMMITTEE'S TIME WITH MY INTRODUCTION OF PHILIP JACKSON. I WOULD JUST LIKE TO MAKE ONE ADDITIONAL POINT.

THE RTC OVERSIGHT BOARD WAS CREATED BY FIRREA TO ENSURE THAT THE INSOLVENT SAVINGS AND LOANS WOULD BE RESOLVED PRUDENTLY, JUDICIOUSLY, AND IN A COST-EFFECTIVE MANNER. SPECIFICALLY, THE OVERSIGHT BOARD WAS CHARGED WITH 1) ESTABLISHING A STRATEGIC PLAN AND THE OVERALL GOALS OF THE RTC, 2) APPROVING PERIODIC FINANCING REQUESTS, 3) REVIEWING THE PERFORMANCE OF THE RTC, 4) AND APPROVING ALL RULES, REGULATIONS AND GUIDELINES OF THE RTC.

IN OTHER WORDS, THE RTC WAS ESTABLISHED TO SET UP AN ENTITY WITH ULTIMATE RESPONSIBILITY, WITH ACCOUNTABILITY. PRESIDENT BUSH LAUNCHED THE FIRREA PROCESS WITH THE PHRASE "NEVER AGAIN" AND CONGRESS WANTED TO ENSURE THAT WE DIDN'T COMPOUND THE CRISIS WITH THE CLEANUP.

WELL, WE HAVE ALREADY HAD THE FIRST PRESIDENT OF THE RTC QUIT. HE QUIT IN FRUSTRATION WITH THE SLOW PACE OF THE PROCESS, WITH THE DILUTION OF AUTHORITY THAT LEFT HIM UNABLE TO ACT

DECISIVELY. I COMMEND THE INTENT OF WHAT WE WERE TRYING TO DO, THAT IS, WE WANT SOME AUTHORITY FIGURES TO POINT THE FINGER AT IF THE CLEANUP GOES WRONG. BUT I AM CONCERNED THAT INSTEAD WE HAVE SET UP A SYSTEM WITH A VAGUE CHAIN OF COMMAND THAT CONVERSELY PROVIDES NO ACCOUNTABILITY.

GENTLEMEN, I COMMEND YOU FOR ACCEPTING THE PRESIDENT'S CHALLENGE TO YOU. HOWEVER I, AND I AM SURE THE CHAIRMAN WILL JOIN ME, WOULD LIKE TO EXTEND TO YOU AN INVITATION, OR A CHALLENGE OF A DIFFERENT SORT. I WANT YOU TO BRING YOUR PRIVATE SECTOR EXPERIENCE TO THIS BOARD. MAINTAIN YOUR PRIVATE SECTOR PERSPECTIVE AND LOOK AT RTC POLICY THROUGH THE EYES OF THE BUSINESSMAN TRYING TO PURCHASE AN ASSET FROM AN RTC INSTITUTION, THROUGH THE EYES OF THE REAL ESTATE AGENTS TRYING TO SELL THESE ASSETS, FROM THE VIEW OF AN ATTORNEY TRYING TO FACILITATE A CLIENT'S UNDERSTANDING OF THE LAW. [redacted]

WE WANT A PROCESS THAT IS FAIR, THAT IS EQUITABLE, THAT IS BEYOND REPROACH. BUT WE WANT TO ASSIST, RATHER THAN HINDER, THE PRIVATE SECTOR IN ABSORBING WHAT IS VALUABLE FROM THE COLLAPSE OF THESE INSTITUTIONS. WE WANT TO DO IT AT TOP DOLLAR AND MAXIMUM RETURN TO THE TAXPAYER. EVALUATE RTC POLICY FROM THIS PERSPECTIVE AND IF YOU SEE FUNDAMENTAL PROBLEMS IN THE STRUCTURE OR PROCESS IMPOSED BY FIRREA, LET US KNOW. FIRREA ISN'T CARVED IN STONE - IT IS THERE TO HELP YOU AND GUIDE YOU, NOT TO LOCK YOU IN. IF THERE ARE SERIOUS PROBLEMS WE CAN WORK

TOGETHER TO FIX THEM. MY DOOR IS ALWAYS OPEN AND I KNOW THAT THE LEADERSHIP OF THIS COMMITTEE AND THEIR RESPECTIVE STAFFS ARE ALWAYS WILLING TO LISTEN.

THAT IS ALL THAT I HAVE TO SAY AT THIS TIME, MR. CHAIRMAN. THANK YOU.

COMMENT/*By Irvine Sprague*

Potential for Buyers to Profit Is Key to RTC Asset Sales

Congressmen and members of the Resolution Trust Corp. Oversight Board are petrified at the thought that someone will make a profit as the RTC unloads billions of dollars worth of assets acquired in mopping up the savings and loan scandals.

They are wrong. Without a real prospect for profit, the chances of any quick and meaningful liquidation are nil.

What we are talking about is hundreds of billions of dollars worth of assets. The skill used in their disposition will determine whether the taxpayer hit is held to $200 billion or whether it will go much higher. What we do know is that the Bush administration's cost estimates have been consistently low for political reasons and that its current estimate of $169 billion is a fantasy.

Numbers Are Imposing

Today, 350 failed savings and loan associations in 39 states are in conservatorship. Their assets total $163.5 billion, and their deposits are $141.1 billion. Fifty-two cases have been resolved, meaning the institution was either closed or sold.

These numbers indicate the problem's size.

No one knows for sure how many more institutions will move into conservatorship, but the prospects are that many more will do so. Difficulty in meeting capital standards most certainly will doom many institutions now operating.

Mr. Sprague was chairman or director of the Federal Deposit Insurance Corp. for more than 11 years and handled 374 bank failures. He wrote the 1986 book "Bailout: An Insider's Account of Bank Failures and Rescues."

What we need is a no-holds-barred auction. Pull together all the assets in a region or a state like Arizona. Publicize the sale, document the property available and then conduct a free-wheeling international auction with bids accepted via satellite from Europe, Japan, and Saudi Arabia, as well as in person from profit-oriented U.S. investors.

Catching Investors' Fancy

Bids could be accepted on any asset, on a group of assets, or on the entire package, whatever brings in the most.

This kind of a promotion should catch the fancy of investors and entrepreneurs worldwide, particularly if it is made clear that a profit is to be made.

The alternative is to accumulate not only an enormous stockpile of property but also an ever-growing bureaucracy, an ever-increasing carrying cost, and ever-multiplying fees to attorneys, accountants, and appraisers. Under this scenario, the taxpayers can only lose much more.

In 10 years as chairman of the Federal Deposit Insurance Corp.'s liquidation committee, I learned that the best ground rules are no rules, the best weapon is innovation and a willingness to try new approaches, and most important, that the least costly approach by far is to take your losses quickly.

Bashful of Embarrassment

At first, inexperienced, I had the same mind-set as those now in charge. I was afraid that someone would make a profit and we would be embarrassed. In time, I learned that if there is not an opportunity for profit, there is no opportunity for a sale.

AB
3.30

The CHAIRMAN. I might say that we're pleased to have the two Senators from Alabama come in and speak so strongly for you, Mr. Jackson. I think it attests powerfully to the esteem in which you are held by people within your State.

With that, I'm going to now ask both of our nominees to stand, if they will, and raise their right hands. Whereupon, Robert C. Larson and Philip Chappell Jackson, Jr., were called as witnesses herein, and having been first duly sworn, were examined and testified as follows:

The CHAIRMAN. Let me now invite either of you, starting with you, Mr. Larson, to introduce any members of your family who may be with you. We'd like to meet them.

And then Mr. Jackson can do the same.

And then we'll start. Then I'd like you to make whatever personal opening comments, Mr. Larson, that you wish to make.

Mr. LARSON. As I expect that I will have frequent opportunities to do, I will defer to Mr. Jackson.

The CHAIRMAN. Mr. Jackson?

Mr. JACKSON. Thank you, Mr. Chairman.

My wife, Barbara, is here, along with my mother, Ellan Jackson, my daughter, Ellan Jackson Smith, and my son-in-law, Hatton Smith, and my cousin, Claude Hobbs. Thank you for the privilege.

The CHAIRMAN. We're delighted to have all of you. We're very pleased to have you take part today.

Mr. Larson, let's start with you. We'd welcome any opening statement or comments you want to make.

TESTIMONY OF ROBERT C. LARSON, OF MICHIGAN, TO BE A MEMBER OF THE OVERSIGHT BOARD OF THE RESOLUTION TRUST CORPORATION FOR A TERM OF 3 YEARS

Mr. LARSON. Thank you, Mr. Chairman and members of the committee. It's an honor and privilege to appear before you today and particularly to do so after such a warm and generous welcome. I'd like to express my personal appreciation in particular to Senator Levin for his generous comments, and to you, Mr. Chairman, for that warm welcome for a fellow Michigander.

As this committee, the Congress and the administration know all too well, the challenge facing the Oversight Board and the RTC is immense. You have all indicated the complexity of the problem, and I want you to know that, in my view, it is in fact unprecedented in size, complexity and in all probability in cost, as well.

It also requires an unusual, possibly unique balancing of public and private interests and the implementation of policies and strategies that of necessity involve private sector resources. It demands extraordinary creativity and energy since, as you've observed, Senator Garn, and as recent RTC experience seems to suggest and as Alice learned from the Red Queen in Lewis Carroll's Alice Through the Looking Glass, it takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that.

Since all who are involved clearly want to get somewhere else, this challenge calls for the utmost in cooperation and understand-

ing, not just among the various branches of the Federal Government, but with State and local governments and industry, as well.

My readiness to accept the President's nomination as an independent member of the Oversight Board is based on the conviction that a productive course can be charted, notwithstanding competing and sometimes conflicting objectives, policy considerations and economic realities. A course can be charted that will be responsive to the Board's and the RTC's legislative mandate.

I look forward to bringing a private sector perspective to the Board's deliberations in charting that course, and will, if confirmed, welcome the opportunity to join Secretary Brady, Chairman Greenspan, Secretary Kemp, Bill Taylor and the Oversight Board Staff, in their efforts to provide timely and constructive policy guidance and support to Resolution Trust Corporation activities and initiatives.

Thank you, Mr. Chairman. I'll be glad to respond to questions that you ask.

The CHAIRMAN. Very good. Thank you very much for your direct statement.

Mr. Jackson, we'd like to hear from you now.

TESTIMONY OF PHILIP CHAPPELL JACKSON, JR., OF ALABAMA, TO BE A MEMBER OF THE OVERSIGHT BOARD OF THE RESOLUTION TRUST CORPORATION

Mr. JACKSON. Mr. Chairman, in the interests of time, I'll just submit my statement.

I'd like to say that in establishing this Oversight Board and this entire legislation, the Congress has required, appropriately I think, that various interests be served in this process. There will be times that these interests may conflict. For example, time may conflict somewhat with minimum costs to taxpayers that might be achieved through some other thing, the interests of minorities and women and the interests of firms could conflict with any of these interests. But whatever they may be, we have to recognize that reasonable people with equal intent to do the proper thing will differ in their conclusions. As you've heard through my introduction, I've had a diversity of experience. And it's my hope, by your confirmation, to be able to apply my private experience toward solving this task.

I hope you realize that it's only been a few days since the President has submitted my nomination and, frankly, I am not familiar with all the little details that might arise. While I'll be happy to respond to any of your questions, I think you should know in advance that it's possible, once I learn more about the problem, I may differ in my conclusions from those I give you today. But I'll be nonetheless happy to give you my best opinions.

Thank you.

[Complete prepared statement of Philip C. Jackson follows:]

Statement of
Philip C. Jackson, Nominee for Member
of the Oversight Board
Resolution Trust Corporation

Before the
Committee on Banking, Housing and Urban Affairs
United States Senate

April 3, 1990

Mr. Chairman, members of the Committee, the Congress in establishing the Oversight Board of the Resolution Trust Corporation has charged it with finding ways to operate within potentially conflicting public policy objectives. These include minimizing the cost to the taxpayers, completing its task as soon as possible, being mindful of firms operated by women and racial minorities, allocating some housing units to low income families, and reducing disruption to local real estate and financial markets. People of equal ability and constructive intent will differ in the best ways to act within these divergent policy objectives.

My experience in business and professional life has included a number of responsibilities which relate to the Oversight Board's task. I was in the business of selling, appraising, managing and developing real estate. I was in the mortgage banking business and served as the president of its trade association. I have managed a financial depository institution, made loans, collected payments, foreclosed on properties, and

experienced some losses. I have served as the policy making director of organizations within which the management operated day-to-day. I have served on a federal board on which the overall public long-term interest was the primary objective.

I hope by your confirmation to be able to put these experiences to use in the public interest as a member of the Oversight Board.

Within the few days since my nomination and this hearing I have not been able to master all of the details of the Oversight Board's policies and problems. Therefore while I will be pleased to respond to any of your questions today, it is possible that more information and further study could lead to a different conclusion in the future.

The CHAIRMAN. Very good. We'll make your full statement, too, a part of the record.

Mr. Jackson, Mr. Larson, we've been joined by Senator Graham.

Senator Graham, do you have any opening comments to make?

Senator GRAHAM. No opening statement.

The CHAIRMAN. As you know, you serve potentially here, and I expect you'll be confirmed, you serve in very important capacities because you represent the independent outside members on behalf of the public in the non-governmental community, if you will, on this Board. Your independence becomes a critical part of that.

There have been questions raised about a lack of independence or a question of sufficient independence.

We had Mr. Kearney, who was President of the Oversight Board, resign and say, in effect, that he felt that he had not been given the operating latitude he thought he needed, and raised serious questions, because he was a top professional, widely-respected. So it raises a concern.

I'd like to ask you very directly, and let me start with you, Mr. Larson. Can you assure the committee that it's your intention to be an independent member and that you will, in fact, exercise independent judgment, and if anybody tries in any way to interfere with your full and complete independence of judgment, that you will object to that, and so advise this committee?

Mr. LARSON. I can, indeed, Mr. Chairman. I share your conviction regarding the importance of this independent, private sector role. I share it to the extent that I also share your appreciation for Mr. Kearney and the outstanding capabilities that he brought to the Oversight Board in the short time he was here. I have talked both with Mr. Kearney and with each of Chairman Brady, Chairman Greenspan, and Secretary Kemp on precisely this issue. I have not only advised them of my understanding and intent to operate independently, but have been assured and encouraged by them that that is precisely the way they see the role and that is the way they expect both Mr. Jackson and me to function.

The CHAIRMAN. Very good.

Mr. Jackson, can I hear you respond the same?

Mr. JACKSON. I think I could just respond by saying, completely and absolutely, Mr. Chairman. That's my statutory responsibility, and if I did less, I would not be performing it.

The CHAIRMAN. You've, of course, had prior service on the Federal Reserve Board which likewise required that same kind of independent judgment, is that not right?

Mr. JACKSON. Yes, sir.

The CHAIRMAN. So your testimony to us is that you fully intend to exercise and protect your full independence in this position?

Mr. JACKSON. Absolutely.

The CHAIRMAN. I'm wondering if I could ask each of you what you think the two or three most important issues facing the RTC are at the present time.

Let me start with you, Mr. Larson.

Mr. LARSON. At the risk of being presumptuous, as the new boy on the block, it seems to me that the issue Senator Garn emphasized is one of the critical issues; namely, the manner in which the sense of urgency can be instilled in what is clearly the most diffi-

cult set of facts, problems and importunities that I've ever seen. I don't think this is a Government problem, alone. If this were a private sector responsibility, I think many of the same difficulties of balancing the equities and considerations would be apparent.

So if I can turn a bit of a phrase, to combine a sense of urgency with a sense of responsibility, if you will, it seems to me is a very difficult issue, and one of the primary issues that the Oversight Board must, in setting policy, address.

Second, I believe an equally important issue is the issue of the appropriate involvement of the private sector in the various activities and responsibilities of the RTC. It is clear to me that there must be an effective partnership, but the structuring of that partnership, the monitoring of that partnership, the appropriate allocation of responsibilities and roles, it seems to me, is an issue that is paramount on the agenda of the Oversight Board, and will require all of our best efforts.

It's difficult to select three, but the third area on which I would comment is the need to sort out, in a fashion that is realistic, the implications of various RTC actions and therefore various Oversight Board policies on our economic markets. It is clear in my mind that the size of the organization and the composition of its assets, as you described them in your opening statement, Mr. Chairman, is such that the impacts, potential and real, cannot be ignored. To sort out what's real and what's imagined, and what's likely to happen from what is simply undue concern is, I believe, another major issue, which will inevitably be translated into policy deliberations by the Oversight Board.

The CHAIRMAN. Mr. Jackson, what are your views as to the items you'd put at the top of the list?

Mr. JACKSON. Mr. Chairman, I would think that the first item has got to be to quantify the nature of the responsibility and to get more explicit, just exactly what the scope of the responsibility will be. Frankly, I would think that it will be quite difficult and has been quite difficult to just find out what is the problem, where are the assets, what is the depth of the difficulty in many of these complicated situations.

Once that can be accomplished, and I think they've probably made good progress in recent months, the next issue will be to differentiate one type of problem from another. There will be all types, don't misunderstand me.

And then, Senator Garn, if I may respond to your issue on speed, there will be certain types of problems that can either be resolved quickly, at little cost to the Government, or be resolved quickly at total cost to the Government. Those should be dispensed with so that issues in which positive management can make a difference can then be addressed where all of the resources can produce a better net result for the taxpayers.

The first group I would describe as those where no type of action is likely to produce any material difference. The second group, where positive enlightened, and hopefully constructive action will make a difference, not only in speed but cost and social benefits. I think that's the critical task ahead of the RTC.

None of this says that you shouldn't proceed with a great deal of urgency. But I would say that ought to be the first task.

The CHAIRMAN. The timing light came on some time after I started. It's probably time to yield to Senator Garn here.

Senator GARN. Thank you, Mr. Chairman.

Mr. Jackson, first of all, it was very disturbing to me to look at your resume and find out that it has been 12 years since you left the Fed. Because as you walked in, it was good to see you again, and I thought, well that was 4 or 5 years ago. Both of us have less hair over those 12 years but it is surprising to me to see that it had been that long.

Let me say to you, at the outset, about your remarks, so that my comments about speed are not misinterpreted, I'm talking about the speed of the process, not speed in selling the assets of any one party. It took a long time for them to decide what method they would use to finance working capital. So my remarks for several months about speed are talking about what you are talking about; the entire process, not any one segment of it. Because, obviously, there are things that need to take longer and we will be careful on how they are handled.

But overall, I want to emphasize that the speed of the process in making decisions is based on the issue of working capital. I think it didn't make that much difference how you decided to raise that. It shouldn't have taken several months to come to that determination. An even less desirable choice would have been better than such a long delay.

Now, both of you are certainly well aware of the enormous portfolio of real estate that the RTC will be selling. Significant parts of that portfolio are concentrated in certain geographical areas of the country. This has certainly given rise to the discussion over how best to handle that. We've had, on the one side, those who don't want to destroy the market in their area, and others who say, if you don't sell it rapidly, you're going to increase the cost to the taxpayers. And, certainly, in the nature of the discussion we've been having, nobody needs to have worried about dumping. That has not occurred.

But between these two opposing views, and I realize you can't be specific; neither one of you has been on the Board yet, and you haven't had a chance to evaluate all of the resources that have been taken over by the RTC, do you have any particular position? Some have advocated, as an example, that you go into an area, auction off all the property in that area, just get rid of it all at once, handle whatever impact is there.

Do you have any general feelings on how we ought to be handling that real estate portfolio, obviously recognizing that there are some areas of the country that would have to be handled differently from the general policy.

Either one of you?

Mr. Jackson?

Mr. JACKSON. I'll speak to it, Senator, if you'd like.

Here, again, I think you will find that there will be basically two different types of assets. There is one type of asset, for which there will be a ready market, over which potential buyers may argue about the price, but which there's no doubt about their willingness to buy. That type could be moved promptly and should be moved promptly.

There will be other types of assets for which, frankly, there will be no ready buyers except perhaps at absurd prices. Then the job will be finding ways to constructively manage the properties, constructively encourage potential buyers through various actions on the part of RTC so that buyers will then be more willing to come forward and buy those types of properties.

I can think of an example. Our bank foreclosed a few properties in Alabama and Kansas. It was an industrial property in a large community of about 35 people. The price at which we offered that foreclosed piece of property was really not material until we found somebody that wanted to open an industrial plant there. And I suspect the RTC is going to have the same experience in a number of instances, while on the other hand, there will be properties for which all you need to do is agree on a market price, and sell them. And that should be done.

Senator GARN. Mr. Larson?

Mr. LARSON. It is my view, subject to the caveats that were explicit in your question, that the real estate markets have largely discounted the overhang of RTC properties, both existent and those likely to end up under RTC control in the foreseeable future.

Second, I do believe the dumping alternative is not a real alternative. The fact of the matter is that clearing title and being able to put the property in a position where in fact it could be disposed of, will, I think, impose a discipline which would not lend itself to dumping, per se. But it would be my experience that in real estate of a troubled nature, the first loss is the best loss. If I had a bias, it would be toward the expeditious movement of the real estate that falls under RTC control back into the private sector as quickly as possible.

The difficulty of managing the asset base for any institution, private or public, is immense. I believe the taxpayers of this country will be best served, in general, if those assets are moved back into the private sector as quickly as possible.

Senator GARN. I would certainly agree with you. I think the market has generally already discounted it. It's not too much different than after weeks and weeks. And the stock market, you hear about all these things that are going to take place and what's going to happen to the stock market, and those people don't live in a vacuum. They usually have already discounted what is going to happen beforehand. In this case, this has been known not just for weeks, but for months, and in some cases, years. And I really believe that even if you could dump, which I agree with you, that that's not a practical possibility, I can't see that it's going to have the impact.

Another area in which there's been continued debate is whether it will ultimately prove more efficient and cost effective to sell whole banks to acquirers wherever possible, or split the assets and the liabilities with the assets going to managers or liquidation specialists, and liabilities to other financial institutions.

Mr. Larson, if you want to start first, on this. Do you have any feelings at this time on the relative wisdom of either approach, whole banks versus separating them?

Mr. LARSON. My inclination on that one is to suggest that I think it's much more of a situation-specific question. The evaluation of

the individual circumstances in any particular institution probably would be more relevant and more meaningful in making that determination than on some of the other policy questions that will come before the Oversight Board.

But having said that, I would be inclined to follow the general rule, subject to probably more exceptions than any of us would like, and consistent with the requirements of the legislation and the policy, of looking for the most expeditious and responsible way of getting those assets and those institutions back into management that has particular responsibilities for that institution and those assets. Therefore it seems to me that, if the whole bank approach will do that in a given set of circumstances, I would be inclined to embrace that.

If, on the other hand, splitting out the assets is likely to be more effective, I would support that alternative.

Senator GARN. Mr. Jackson?

Mr. JACKSON. Comparison is always dangerous but it strikes me that if you're running a junk yard, occasionally, you sell a whole car. A lot of them you sell individual parts of because people need them, and some of them you end up selling just for plain old scrap. But I wouldn't be surprised if that wouldn't be a relatively comparable situation to what we're going to do.

Senator GARN. You're talking about that the junkiest of the junk will be divided up into parts or scrap, and the better ones will be sold as whole cars. I think that's a pretty good analogy.

Mr. Chairman, my time is up, and I see we're having a vote on the floor.

The CHAIRMAN. Senator Shelby?

Senator SHELBY. Mr. Chairman, I'll be brief.

First of all, Mr. Larson, I've never met you. I've heard of you and you have had a distinguished career in real estate. So you and Mr. Jackson both bring before this committee tremendous experience in, as I would say, the material years of your lives, which is unusual at times. We don't see this kind of experience, someone who is a CEO of, if not the largest, one of the largest real estate development and retail companies in the United States.

On Mr. Jackson's behalf, his experience as President of the Mortgage Bankers' Association of America and a former member of the Federal Reserve Board, a former Vice Chairman of one of our largest banks in the South, and so forth.

I think we recognize the uniqueness of it. I do like Mr. Jackson's junk yard analogy because some of it will be junk; some of it will be diamonds, I hope. And I hope it will sell.

Mr. Jackson, you and Mr. Larson, both, I used the term and you've used it, and had it used on you, probably, mark down to market, whether it's a portfolio, bonds, stocks, real estate.

When I was in the House, before I came over to the Senate to join Senator Riegle and the others here, I served as Chairman of the Veterans' VA Housing Committee. We used to have hearings and on the revolving fund, I would have trouble with the VA from time to time. I'd hold those oversight hearings, and I said, look, you're carrying this stuff in Houston that we foreclosed on, or in Denver in the oil patch in Oklahoma City at so and so price. Why

you can't get $40,000 for that $100,000 house, and you know it, for example.

Isn't this what you're talking about in some instances, but in other instances, you're going to do better than you think?

Mr. Larson?

Mr. LARSON. No question about it. A friend of mine, several weeks ago, asked me to look at a vacant piece of retail space, asked me what I thought he should do with it. I recommended a use. He responded, but that user can only pay about $10 a foot. I said, that's right. He said, but that's $35 a foot space. My response was, it looks like zero dollar a foot space to me. I think you're absolutely right, Senator.

Senator SHELBY. Mr. Jackson, about marking down the market, do you want to comment on that?

Mr. JACKSON. Absolutely. We have to remember markets and market value is an event that will occur in the future, not in the past. And only when somebody buys it, do we really know what the market value of that asset is.

Senator SHELBY. That's how the market's established, isn't it Mr. Jackson and Mr. Larson, a true market?

Mr. JACKSON. No matter what our prior opinions of what someone is likely to pay for a piece of property, until someone actually buys it, no market exists.

Senator SHELBY. How are you going to handle I guess the perception that you've got all this property that the Government owns and you're the overseer of it and you're the trustee, in a sense, or will be, and X person over here, they buy a house or they buy an old apartment building, refurbish it, and they make a little money off of it, and then somebody's going to say, well, gosh, you know, you undersold it. But people, in reality, aren't going to buy anything until the sort it out in the market and expect a profit, are they gentlemen?

Mr. LARSON. I would certainly agree with you.

Mr. JACKSON. An informed buyer does not buy something unless they at least believe they have gotten a good buy. I think that's the danger, if I may say, Mr. Chairman, in one of the responsibilities we will assume. When and if some buyer profits as a result of the relationship by buying some of the assets under our indirect supervision, it will be very tempting to think we sold it too cheap, when I suspect it will probably be at the market price that was available that day.

Senator SHELBY. Mr. Chairman, I appreciate your indulgence. I think they're calling us from the floor.

The CHAIRMAN. We'll have to go.

I just want to ask you one follow up, and then we'll take about a 10-minute recess, and I'll come back, because there are a number of other issues I think we need to touch on.

I take that line of questioning to be a very important line of questioning that's just been developed. I assume that we also need to add to that, however, that it also depends on how widely known it is that that piece of property is available. If it's not widely known and not widely advertised, if that's appropriate, you may well have not very many people able to make a judgment as to

whether they're interested or not. I am interested in some articles and suggestions that I've seen about when and if an auction approach might be useful. I don't suggest that it is in each and every case, or even in many cases, but one virtue of a public auction is that it is public and it's open to all comers. It's widely advertised. Anybody who wants to can come over and take a look and offer bids. And is free to do so.

Isn't the dissemination of the availability of the property also an important part of attracting whatever the market is willing to reflect as a bid or an offer for an asset?

Mr. JACKSON. Absolutely.

Mr. LARSON. It is, indeed. I would share your interest, Mr. Chairman, in exploring the feasibility of using auction techniques for some of these properties. If properly structured, properly marketed, properly advertised and noticed, it is demonstrably one of the best ways of ensuring the market price to which Senator Shelby referred.

The CHAIRMAN. I think it also has the effect, too, that there's always a concern about how open is the process. Is there a side door or a back door way into the process. It seems to me the more out in the open it is, the more that answers any question about whether or not it was widely known and was available to all comers.

Let me now put the committee into recess. We'll resume in about 10 minutes.

[Recess.]

The CHAIRMAN. The committee will come back to order.

Let me just indicate that we're coming down the home stretch today on clean air legislation and we're scheduled to finish it with a final vote this evening. This has been underway for some weeks and so today is the day in which all remaining issues that require votes have to be settled. And you are seeing the pattern of that, including the vote that we just completed.

Let me ask you this. There's a story that's been running in the national papers to the effect that the RTC has created some uncertainty in the mortgage-backed bond market by announcing that it may stop paying interest on certain liabilities that were issued by thrifts that now come under its control. My understanding is that the RTC intends to make a decision on this issue in the next 2 weeks.

I don't want to put either of you on the spot and ask you your views on that kind of a very sensitive matter now, before you've had the chance to be fully briefed and move into a full decision-making role. But I would like your commitment to give this issue some very serious attention before the RTC makes a decision, and I would like you to report back to this committee with your views at the time that you feel that you've reached a judgment on it. And I want to include those in the record.

Mr. JACKSON. We'd be happy to do so.

Mr. LARSON. Yes.

The CHAIRMAN. Very good.

Chairman Seidman stated that 60 percent of the failed thrifts showed evidence of fraud and insider abuse. I'm wondering how

would either of you or both of you ensure that the RTC pursues claims against former insiders at savings and loans?

Mr. Larson?

Mr. LARSON. Mr. Chairman, I'm not prepared to indicate how. But I am delighted to indicate my firm conviction that it is not only in the public interest but an integral part of the responsibility of the Oversight Board and the RTC to ensure that that prosecution activity and investigatory activity is taken forward with the utmost vigor.

As a matter of fact, I have had recent conversations, in anticipation of this nomination, with one of the leading private investigating firms in the country who serves investment banking and other financial institutions, who indicated to me a willingness to make their expertise available pro bono to the investigatory staff if, in fact, some assistance from the private sector on a pro bono basis in that area is useful. I intend to make that connection as quickly as possible.

The CHAIRMAN. Very good.

Mr. Jackson?

Mr. JACKSON. I'm frankly not personally familiar with the part that RTC plays and the Department of Justice plays in what I would call fraudulent and criminal activity. But let me assure you, maybe it's my lifelong history as a money lender, I think when people sign notes and sign agreements, they should be held accountable to them. Yes, there may be exigent circumstances that should be taken into consideration but you first should make sure that they pay what they can and promised to do. I think that's the obligation of RTC to exhaust that remedy to the extent it's available to them.

The CHAIRMAN. You may know that in the S&L reform legislation, the administration asked for $50 million a year for the Justice Department to go after the fraud and the crooks in the business. We increased that figure to $75 million a year, and it's not clear now that that money is being spent. It appears that it's not being drawn down and spent to the full amount.

I would like an assurance from both of you that you will push the RTC in any way you can, to go after any cases that are out there where there's an indication of fraud or the potential for recovery of asset values, that you will be active in terms of advocating that that recovery action take place, with all the strength that can be mustered.

Can we expect that will be done?

Mr. JACKSON. Yes, sir.

Mr. LARSON. You may.

The CHAIRMAN. Will you also ensure, and indicate to us your intention to be mindful and alert to any possibility that the RTC not exceed its borrowing limit on working capital?

Mr. LARSON. Yes, sir.

Mr. JACKSON. Absolutely, because that's statutory, Mr. Chairman. However, I think I can anticipate from my limited knowledge that the definition issue could, at some time in the future, get to be a sensitive one. As we discussed, market value is an event in the future. If the borrowing limit is a specified limit of market value of assets at the present, it may be that the market value could

change. Future events that might impact on borrowing capacity make the task even more difficult than it might first appear. I think that's going to be one of our responsibilities, to keep that from happening.

The CHAIRMAN. Some people have suggested that the RTC should warehouse some assets out of this very diverse portfolio. Normally, that suggestion has come with reference to undeveloped raw land where you do not have a structure of some kind or some other physical asset apart from land.

How would you generally react to that concept? How should we even think about that question? Some have suggested that perhaps undeveloped raw land might rather be sold at some immediate fire sale price, and perhaps there ought just to be a land bank.

What would tend to be the way you'd start to think about that? Mr. Larson?

Mr. LARSON. Real estate, in the last analysis, is a situation specific business, and it is very difficult, I think, to give you the kind of responsive answer that that question deserves and requires. However, I have indicated my inclination and I think it would apply to raw land, as well as other types of real estate assets. It is my inclination that the public interest would be best served in general if the assets are disposed of sooner rather than later.

The CHAIRMAN. Mr. Jackson?

Mr. JACKSON. I suspect that much of the raw land that will be in the inventory will be in economically depressed areas where the activity that was going to be the final consumer of the raw land may have either slowed down or actually ceased entirely. Therefore, if the end purpose for which the raw land is best used no longer demands its use, it probably is not in the public interest to force the sale at some absurd price. That will just substitute Government ownership for a highly speculative ownership that may or may not have any immediate use for it.

But if there's any immediate prospect, obviously the price will be more realistic, and it will be in the public interest to encourage its sale and remove it from inventory.

The CHAIRMAN. Senator D'Amato, do you have a statement that you want to put in the record? You may have a question or two you want to raise?

Senator D'AMATO. Mr. Chairman, in the interests of time, let me simply welcome our two nominees. I think it's important that the Resolution Trust Corporation have the kind of people with the expertise that they bring to it. Certainly, it's going to be a challenging and important job. And I am going to be supportive, and I thank you, Mr. Chairman, for calling these hearings prior to our adjournment, because it is important business. And, indeed, I believe we have two people who have got tremendous responsibilities but are equal to the task. So I'm going to be delighted to be supportive of their nominations.

The CHAIRMAN. Thank you, Senator D'Amato. We'll make your statement and statements from Senators Sasser and Dixon a part of the record, and I appreciate your personal comments.

OPENING STATEMENT OF SENATOR D'AMATO

Mr. Chairman, let me join you in welcoming the President's nominees. I wish we were all here to discuss more pleasant topics than how the RTC will deal with billions and billions of dollars of Federal liabilities.

For many years to come, the Resolution Trust Corporation, the RTC Oversight Board and the Congress—this committee in particular—must be devoted to making the resolution and asset disposition process work. The RTC Oversight Board is charged with a tremendous responsibility to the taxpayers of America who have, unfortunately been tapped to pay the enormous bill that the thrift fiasco ran up.

Mr. Chairman, I am hopeful that these two gentlemen will add a needed dimension of practicality to the Oversight Board. It is time for a reality check at the RTC—time to think about ways to keep whole institutions in private hands instead of increasing the scrap heap of disassembled thrifts at the RTC flea market. I see some encouraging signs at the RTC, at least regarding longer periods for asset puts and the possibility of open thrift assistance. But more creativity is much in need. The RTC should worry less about criticism of past transactions and more about the deteriorating value of RTC assets.

Mr. Chairman, I look forward to learning more about the nominees qualifications and I hope for their swift confirmation.

STATEMENT OF SENATOR JIM SASSER

Mr. Chairman, this committee is moving swiftly to review the administration's nominations for key positions on the RTC Oversight Board. I want to acknowledge your leadership in this effort.

The scope of the crisis absolutely demands we move swiftly on these nominations. Yet, the desire for quick confirmation—to be up and running—must not out-race the need for thorough review.

Mr. Chairman, it's fair to say that the savings and loan crisis is largely a regulatory failure. At the very least, we owe the American taxpayers a bailout program that is tightly managed, efficient, and free of any and all of the regulatory lapses that marked the crisis itself.

The size of the RTC's job is growing every day, and we must not underestimate the importance of the Oversight Board.

According to the Office of Thrift Supervision, the solvent thrift industry lost $19.2 billion last year, easily the worst year in its history, and a figure that continues to brand this as our greatest financial crisis since the 1930's. And Chairman Seidman has placed the losses of thrifts currently in Government conservatorship at $14 million a day, though I've seen estimates as high as $29 million a day.

These nominations are important because it is the RTC Oversight Board that is charged with setting and enforcing policies and dispensing funds to close insolvent S&L's. In this regard, the Oversight Board is truly the nerve-center of the bailout effort.

The Board will be responsible for overseeing an ambitious and crucial strategic plan. It must initiate preventive ways of dealing with institutions before they become wards of the Federal Govern-

ment. It must continue to monitor the replacement of high-cost funds, and it must lay out and supervise a specific plan for working capital needs.

To successfully stem the exorbitant losses now being sustained by American taxpayers, we need professionals on the Oversight Board of unquestioned expertise and integrity—individuals who view this job as nothing less than a calling, a chance to help their country in a time of deep financial crisis.

I look forward to learning more about the nominees before us today.

Thank you.

STATEMENT OF SENATOR ALAN J. DIXON

Mr. Chairman, I commend you for holding today's hearing on the nomination of Robert C. Larson and Philip C. Jackson, Jr., to be the independent members of the Oversight Board of the Resolution Trust Corporation.

On February 22 of last year, the President introduced to Congress legislation called the Financial Reform, Recovery and Enforcement Act [FIRREA]. The administration's S&L bill established the Oversight Board structure for the Resolution Trust Corporation.

Acting in record time, the Senate passed a S&L bill on April 19, 1989, just under 2 months after its introduction. The Senate bill created the two independent positions at the Oversight Board, the nominations for which are the subject of today's hearing.

On June 15, 1989, the House passed its thrift bill, which included an independent member on the Oversight Board. Congress approved the final FIRREA bill just 7 weeks later on August 4, 1990. FIRREA then became law on August 9, 1990.

Thus, the White House has been on notice since last April—and has known since last June—that there would be an Oversight Board and that the Board would have independent members. The administration, the Chief Architect of FIRREA, could have hit the ground running last August; they could have been searching for appropriate personnel since last spring.

Instead, in this matter, the Senate waited 7 months since FIRREA became law for these nominations. These nominations were received by the Senate and referred to this committee just 1 and 2 short weeks ago. These nominations should have been ready in August or September of last year.

I, of course, do not hold Mr. Larson or Mr. Jackson responsible for these delays. I am, in fact, happy to see their nominations. Both of them appear to be well qualified and highly respected. They have substantial knowledge and experience in real estate and banking. And beyond that, Mr. Larson had the good sense to have lived in Chicago for more than a decade.

I expect both of these nominees to make important contributions to the Oversight Board and to carrying forward, expeditiously, the thrift resolutions and asset sales which are so badly needed.

The CHAIRMAN. Senator Pressler?

Senator PRESSLER. Thank you. I just wanted to congratulate these nominees. I have a short statement, but I'd rather listen to these fine people.

The CHAIRMAN. Thank you.

Let me ask you another question. Have you had a chance to think, yet, about the issue of whether or not brokered deposits, the hot money, the high interest rate money, in effect, ought to be available to thrifts that are under the RTC's control? How do you think you'd be likely to view the issue of brokered deposits going into those thrifts?

Mr. Jackson?

Mr. JACKSON. Mr. Chairman, I have never, frankly, liked the idea. At the same time, I have to recognize that the cost of liabilities, which includes not only interest paid to the depositor but the administrative cost of attracting those deposits, has to be aggregated in order to determine the total cost to a particular institution and whether it may properly employ them in the various assets that are available. I think the issue should probably be better addressed by considering what type of asset this money is invested in. In other words, are they matched off with assets of comparable maturity where this hot money can be matched with highly liquid assets.

In that case, frankly, I've got less of an objection to it. However, on the reverse side, if so-called brokerage deposits or hot money is invested in long-term local home loans, I think that's foolishness and ultimately will lead to the downfall of the whole reserve, and therefore should be prohibited. I see that as a supervisory issue. When the specific organization is examined by the OTS, is there a proper match between the maturity of their assets and their liabilities? Interest rate risk, I believe Senator Gramm would have called that in his old college days. That's the issue we ought to face.

There is room in our society for people who specialize and brokered deposits might well be one of those areas. This is quite common, for example, in many of our so-called consumer savings finance companies. I remember being in the office of Chrysler Credit in your own home town and Mr. Larson's home town. I'll never forget, one day they had two very capable women on the telephone with a few WATS lines and they were able to attract $2 billion in total funds and they attained that without putting out a penny. I daresay that suggests that that was a relatively low cost for the administration.

The question is, is that an appropriate activity for an organization which is chartered to invest in real estate credits? That I think is the issue that the committee ought to address, and I think that's a public policy issue that's before us. I have some concern about that.

Mr. LARSON. I share in Mr. Jackson's description of the issues, and I'm frankly not prepared at this point to address it.

The CHAIRMAN. Let me ask just one final question. Then, if my colleagues have any, we'll take those.

I'm wondering if you have had the chance, yet, to think about what steps either of you would take to ensure that the RTC will meet its goals for promoting affordable housing.

Mr. JACKSON. I would expect that the RTC should establish income limits or price limits for each community, as specified in the statute, which constitutes moderate or low income families and make those houses immediately available to them on a preferential basis, as the statute requires. It would be my judgment that the statute leaves relatively little discretion on the part of the Board as to the action they could take.

Recognizing that, I would have to confess that the big question is, how do you relate this to our responsibility to maximize return to the taxpayers. To my limited knowledge, and it is very limited, of the statute, it is that these people just get a preferential opportunity, they don't get a preferential price to a material degree. Therefore, I don't see any conflict.

The CHAIRMAN. Mr. Larson, did you want to add a comment?

Mr. LARSON. Only that as I understand both the statutory language and the intent of the legislation, I believe there is a significant opportunity for the kind of creativity to which I referred in my opening statement on the part of the Oversight Board and the RTC in looking at ways to fulfill the intent of FIRREA as it relates to this issue. It seems to me, as a layman, that there is an opportunity of a match here. We have not yet found any specific dimension but, as a member of the Board, I would be encouraging both the Oversight Board and the RTC to be further exploring the opportunity for that match.

The CHAIRMAN. I've completed my questioning.

Senator Sanford has just arrived.

Senator Sanford, would you mind? Senator Sanford, whose under some time pressure.

Senator SANFORD. Thank you very much, and thank you, Senator Pressler.

Mr. Chairman, I wanted to ask a question that might appear to be limited to one State and one example, but I think it has broader implications.

Two weeks ago, members of my staff met with members of the staff at RTC, and discussed an issue that we are concerned with, but I think it also would be of concern across the nation. On the outer banks of North Carolina, the RTC now has control of a piece of property named Nags Head Woods. The property is unique. It's an irreplaceable maritime forest and it exhibits all the natural, cultural, recreational and scenic features of an area on the outer banks. That of course could be bulldozed under and it could be properly preserved.

My question is twofold: first, do you think the RTC should consider the ecological importance of and environmental costs in developing certain environmentally sensitive properties that RTC will come into control of and decide to whom to sell the property, the price to accept for the property. And, second, do you believe that RTC should comply with Federal environmental rules? In particular, do you believe that if the sale of a property by the RTC will have a profound environmental impact, that the RTC or the developer should file an environmental impact statement?

I would simply like to have your general comments on that concept of protection of unique pieces of property.

Mr. LARSON. I would certainly expect and encourage the RTC to comply with environmental laws and regulations, whether they be Federal, State or local. I believe it is the very existence of those constraints on development and forms of development that will appropriately impact values. I don't know the specific area to which you refer, but the kind of concerns that you expressed certainly are material considerations for anybody who develops property in the twentieth century in this country.

Senator SANFORD. Of course, I didn't want a specific answer on the particular piece of property but I used it as an illustration. I'm inclined to say, well, we'd have to take the top dollar but if the Nature Conservancy or other such organizations probably need a little time or whatever they need, the question is do we give any priority to preservation.

Mr. JACKSON. Senator, I don't see that the Government should be exempt from the same constraints that are placed on other lenders that acquire property through foreclosure. I couldn't help but think, Senator, as you sat down, about the first time you and I met each other. You were the trustee of an REIT, and we were trying to go through this same process, then. Here, now, 16 years later, we're still at that process.

Senator SANFORD. I remember we had a piece of property that was environmentally sensitive and we felt we shouldn't just seek the high dollar which was certainly a community concern, but that's the point I wanted to make here, just for the record.

And I thank you both for your responses.

The CHAIRMAN. Thank you, Senator Sanford.

Senator Pressler.

Senator PRESSLER. Thank you, Mr. Chairman. I would like to address a question to the nominees regarding the function of the Oversight Board? How much authority do you anticipate will be delegated by the Oversight Board? This is going to be one of the most closely watched activities in the country, how the Resolution Trust Corporation and so forth works. Of course, you are on the Board of Directors. As I understand it, there has not yet been a person named to head the Oversight Board. He or she has not yet been named, unless I've missed something.

Is that correct? You don't know who is going to be your manager, yet, do you? You're going to be on the Board of Directors but do you have any idea who is going to be nominated?

Mr. LARSON. If you're referring, Senator Pressler, to the permanent chief staff person of the Oversight Board, the replacement for Dan Kearney, to the best of my knowledge, that has not come forth.

Senator PRESSLER. Is that a serious situation that it's not being handled faster? Are decisions not being made now that should be made? What is your judgment on that, as a top manager, yourself?

Mr. LARSON. My personal judgment, without benefit of participating in Board activities, is that Bill Taylor has done an outstanding job of stepping into an interim responsibility and provided leadership to the Oversight Board staff. Furthermore, the administration is actively involved in recruiting a full time replacement to compensate for the unexpected departure of Mr. Kearney.

Mr. JACKSON. Senator, just for clarification, because the context of your question is not quite clear to me. This Board acts somewhat similarly to the board of a corporation in setting the policy. We will not be the day to day managers of the specific implementation of policy. That task is in the hands of the Federal Deposit Insurance Corporation. However, unlike the boards of most corporations, this Board does have a small staff that would implement and establish the policies. It's that staff director position that is now served by an acting member whom Mr. Larson has said is quite able. I have had the privilege of working with him on the Federal Reserve, and I am sure we will seek a permanent person for that position.

Senator PRESSLER. But just so I can understand your concepts of your job and your philosophy from the point of view of public administration or business administration, or however we define this, the Board, members, as I understand it, you can hire and fire the President or it can do a lot, get involved in macro matters or micro matters. Your Board members include the Secretary of the Treasury, the Secretary of HUD and the Chairman of the Fed, people who are preoccupied with lots of other things. Obviously, you are, also.

Do you believe that you're going to essentially be delegating most of the authority and the decisions to the person who heads the Resolution Trust Corporation and the President of the Oversight Board? How involved in detail do you see yourself being involved?

Mr. JACKSON. In my judgment, we should set policy that is quite clear, without handling things on a day to day basis, and then give the Federal Deposit Insurance Corporation plenty of opportunity to use their expertise as individual situations arise on specific institutions and/or properties.

Senator PRESSLER. What do you see that policy being that you're going to set, for example?

Mr. JACKSON. As you might imagine, I haven't been in this process so it's only a supposition. FDIC would probably prefer us to be very very explicit because then it will be less likely that we can criticize them when events go wrong. Whereas, in turn, we would have a natural propensity to focus on policy-type issues instead of being involved in specific details. That is a dynamic process that every organization goes through.

If I can continue to use the private corporation analogy and the day to day operating policy, I personally prefer and think it's better policy and you can produce better results by setting policy, rather than getting involved in details. I don't think people that meet periodically can handle day to day details, and shouldn't try.

Senator PRESSLER. Do you have anything to add to that, and especially on the scope of what you expect to be decided on this Board? Like, when you go to a Board meeting, what do you expect the policy decisions you're going to be making, for example, will be?

Mr. LARSON. It's my understanding, Senator Pressler, that the analogy with corporate board room structure goes only so far in this case. The responsibilities of the Oversight Board and the responsibilities of the Resolution Trust Corporation, as it is staffed by the Federal Deposit Insurance Corporation are, I think, quite ex-

plicitly stated in the FIRREA legislation. I do not see the Oversight Board as having any meaningful latitude in delegating to others its responsibility or assuming responsibilities that have been delegated by statute to the RTC and its board of directors. It is anything but a classic organizational structure.

Having said that, to respond directly to your question, I see the Oversight Board dealing with its statutory responsibility to authorize funding to the RTC consistent with the legislation. I see the Oversight Board addressing its statutory responsibility to audit and monitor, in effect, the performance of the Resolution Trust Corporation, against the policies that have been established by the Board, and the criteria that have been established by the legislation. And I see the Oversight Board setting the structure, if you will, under which the asset management and asset disposition process, the resolution process goes forward.

To get specific, for instance, I think it's a Board agenda item as to whether seller financing should be made available, and if so, on what terms. That happens to be a policy issue that the Board has already addressed, it's my understanding, on several occasions. I would see it as the Board's responsibility to set policy—that is, guidelines—for the Resolution Trust Corporation in terms of the criteria by which assets would be made available in the marketplace.

Senator Riegle asked earlier today whether an auction process is an appropriate mechanism to be employed in the asset disposition activity. I would see the Board addressing that issue and making a determination as to whether it is or is not appropriate, but not being involved in any way in the implementation of an auction process, itself.

Senator PRESSLER. I thank you very much.

The CHAIRMAN. Gentlemen, we appreciate what you've had to say.

Let me just call on Senator Garn.

Senator GARN. I just wanted to ask one more question to get your views.

Since the FIRREA bill was passed, there are some, including this Senator, who feel that we made some errors in that bill, too, and that it is not fair just to be critical of the speed of the administration of the RTC, and it isn't hindsight in all cases. There were some of the very provisions I'm going to ask you about, we talked about during that period of time.

One is the QTL test. It's the opinion of this Senator that to raise it to 70 percent has simply made less merger partners available and has lowered the value of the franchise and makes it more difficult to find someone to take them over. Loans to single buyers or single borrowers is another, and all with good intent.

And the conflict of interest rules. I want to be very careful. I don't want anybody to think I'm advocating conflict of interest. But I really wonder about being able to recruit the type of talent that is needed over there, because you get the type of talented people who are really experienced, and then you say, how can they be involved in the disposition of this property; they're involved with this group or that group.

So there are at least three areas in FIRREA that I think are causing some problems and actually adding to the difficulty of solving the problems.

Would either one of you agree that all the fault isn't on the Executive side of Government and that we possibly need to review FIRREA, and I'm not talking about wholesale changes or that, but there are some modifications we could make that would help the process and help you do your job with the RTC Oversight Board?

Mr. Larson.

Mr. LARSON. That's a tall order. Let me comment in reverse, if I can.

I'm not fully familiar with the conflict of interest regulations at this point that have been adopted by the Oversight Board and the RTC as it relates to dealings with the private sector. But I do know there is widespread concern in the private sector that some of those rules and regulations will preclude the best talent from being available to work with the Government, with the RTC, in resolving these matters.

Therefore, as a member of the Board, I'm going to be anxious to understand what those requirements have been and the reason why they have been established as they have; to look for ways to protect the public interest, on the one hand, and on the other hand, to ensure that there is access to the kind of talent in the private sector that could be most helpful to resolving these issues.

As to the two other questions that you raise, it seems to me that those are, while in FIRREA, outside the scope of the Oversight Board's responsibility and really go more to the regulatory structure that has been put in place for the industry as a whole.

Senator GARN. You're correct. Let me interrupt you there. I agree with you. But on the other hand, if we don't have people who are charged in one phase or another with helping solve the problem who have been encouraged to come back to Congress, we're certainly willing to sit up here on our daises and criticize, and often we have people who simply say, don't come back and criticize Congress for the law, or you'll really get in trouble.

I don't expect you to be able to fully answer today, but I think in your responsibility as members of the Oversight Board and, in particular, independents, you of all people ought to be able to come back and say, hey, this is what we're running into. It isn't necessarily our responsibility but in all the conversations we had and all the meetings, we're finding out that this is a problem.

That's really the extent of my question, to drive that point home.

Will you please come back, again. You're the independent members. You should have no axes to grind, no biases, at least that is the intent of having independent members. Will you come back and tell us, this part of the law is hampering us, and make recommended changes as you see them, as you go along? That's what I would really appreciate.

Mr. LARSON. I personally appreciate that invitation, Senator Garn, because it seems to me you are precisely right. One of the things that Mr. Jackson and I can bring to this process is not only an independent, but essentially non-political effort to call the facts to the attention of whoever is in a position to deal with them; to move across the various people that are involved both inside and

outside the Government and do what I talked about early on; to ensure that the kind of cooperation and coordination across the multiple interest groups and interests that have developed here is facilitated.

I am particularly interested individually in exploring ways in which my presence on the Oversight Board can be used as that facilitator.

Senator GARN. Mr. Jackson.

Mr. JACKSON. You're right. Somehow or another, the franchise value of a thrift organization needs to be enhanced to the extent that the Oversight Board and the RTC may do so. Because, as a result, then it would be possible to auction these off or find people to buy them, and the premium therefore paid will be larger and the cost will be less in that situation.

I will have to confess to you that I am concerned because in the United States today, as I see it, and I'm sure this committee is well aware of it, the cost of the liabilities of all financial depository intermediaries is strongly influenced by events not only beyond their control but perhaps beyond the control of the United States, beyond the control of the Federal Reserve. Who knows what will happen in Frankfurt between East and West Germany's mark that will influence interest rates in the United States today, and likewise, in Tokyo and other places throughout the world. If your liabilities then are strongly influenced by world market events, I suspect it's going to be extraordinarily difficult if your assets must be narrowly channeled in perhaps either specific types of properties or specific types of locations or specific types of circumstances.

I don't want to suggest that I am arguing against specialization. I think that specialization is an economic fact. It will always produce benefits, and there will be some people through specialization that are able to do the job. I think the public policy question that must be addressed by all of us, including this committee, is can specialization continue to be statutorily mandated. We don't, frankly, know the answer to that, and I think it's too early to call. But it's an issue that not only the Oversight Board and the RTC staff, but the entire American public must face constantly in the months ahead and in the years ahead. The answer is not clear to any of us, yet.

Senator GARN. Thank you, gentlemen.

The CHAIRMAN. Thank you very much.

Let me say that we appreciate the testimony you've given today. I intend to support both your nominations. I think that's certainly a widely held view on the committee, if not a unanimous view.

I'm going to ask unanimous consent that, on Thursday, we report these nominations out favorably when we are here for other matters.

I want to announce that the final vote on the Kelley and Swan nominations today were 18 votes in favor, none opposed. Both nominations will be reported to the full Senate today. It will be my intention to try not only to see that these nominations are sent out of the committee this week, but hopefully that they can be acted on by unanimous consent by the Senate before the end of the week. I will seek to do that. I can assert for a fact that that will happen, but that is my intention as Chairman.

With that, we thank you for your testimony. The committee stands in recess.

[Whereupon, at 4:10 p.m., the committee was adjourned.]

[Biographical sketches of nominees follow:]

THE ATTACHED STATEMENT TO UNITED STATES SENATE COMMITTEE
ON BANKING, HOUSING AND URBAN AFFAIRS REQUIRED OF
PRESIDENTIAL NOMINEE (INCLUDING SUPPLEMENT)
HAS BEEN COMPLETED BY ROBERT C. LARSON
TO THE BEST OF HIS RECOLLECTION

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Larson (LAST) L. Robert (FIRST) Craig (MIDDLE)

Position to which nominated: Member Oversight Board Resolution Trust Corporation Date of nomination:

Date of birth: 15 (DAY) 6 (MONTH) 1934 (YEAR) Place of birth: Minneapolis, Minnesota

Marital status: Married Full name of spouse: Karen Chase Larson

Name and ages of children: Elizabeth Ann Roetzel 31; Whitney Chase 25*; Anthony Joseph Chase 17*; Eric Ballinger Larson 28; Elizabeth Chase Heyner 28*; Kathryn Westcott Larson 25; Samuel Chase 22*

*Stepchildren

Education:

Institution	Dates attended	Degrees received	Dates of degrees
University of Chicago 5801 S. Ellis Chicago, IL 60637	10/58 to 12/60		Miscellaneous evening courses
Purdue University Hammond Extension Center Hammond, IN 46323	9/56 to 6/57		Evening course Ferrous Metalurgy
Carlton College One North College Street Northfield, MN 55057-4075	8/52 to 6/56	BA - Government and International Relations	6/56
Deephaven High School Route 3 Excelsior, MN 55331	9/48 to 6/52	H.S. diploma	

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

None relevant

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
(See Attachment "A")		

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

(See Attachment "B")

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

None

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

None

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

(See attachment "C")

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

(See attachment "D")

Qualifications: State fully your qualifications to serve in the position to which you have been named. (attach sheet)

(See attached biographical summary issued by The Taubman Companies)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

   No intention to do so.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

   N/A

3. Has anybody made you a commitment to a job after you leave government?

   No

4. Do you expect to serve the full term for which you have been appointed?

   Yes

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None to my knowledge.

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

I do not believe the investments disclosed should be viewed as creating a conflict of interest.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

None other than through the activities of the National Realty Committee of which I currently am Chairman.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

Should any potential conflict arise, I would immediately seek counsel from the Board's Ethics Officer and take whatever action is deemed appropriate.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

(See attachment "E")

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

None

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs
Statement for Completion by Presidential Nominees

Attachment "A" - Organizations

1. *Cranbrook Board of Governors - Academy of Art*
   P.O. Box 801
   Bloomfield Hills, MI 48013
   Member - 1966 to Present

2. *Citizens Research Council of Michigan*
   625 Shelby Street
   Detroit, MI 48226
   Trustee - 1984 to Present

3. *Detroit Economic Growth Corporation*
   First National Building
   Detroit, MI 48226
   Director - 1985 to Present

4. *Metropolitan Affairs Corporation*
   1900 Edison Plaza
   660 Plaza Drive
   Detroit, MI 48226
   Director - 1981 to Present
   Immediate Past Chairman
   Chairman - 1985 to 1988

5. *National Urban League*
   500 East 62nd Street
   New York, NY 10021
   Chairman - 1989 to Present
   Vice Chairman - 1984 to 1988
   Trustee - 1975 to 1984 and 1985 to 1989

6. *Urban Land Institute*
   1090 Vermont Avenue, N.W.
   Suite 300
   Washington, D.C. 20005
   Member - 1974 to Present
   CRC Gold Council - 1983 to Present

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Supplement to United States Senate Committee On Banking, Housing and Urban Affairs
Statement for Completion by Presidential Nominees

Attachment "A" – Organizations

7. National Realty Committee
1250 Connecticut Avenue, N.W.
Suite 630
Washington, D.C. 20036
Chairman - 1986 to Present
Chairman, Executive Committee - 1985 to 1986
Director - 1981 to Present

8. *Children's Hospital of Michigan*
3901 Beaubien Boulevard
Detroit, MI 48201
Trustee - 1984 to Present
Chairman, Caring for Kids Capital Campaign - 1987 to Present

9. *Detroit Symphony Orchestra Hall*
Ford Auditorium
Detroit, MI 48226
Trustee - 1986 to Present

10. *United Foundation of Detroit*
1212 Griswold at State
Detroit, MI 48226
Member - 1985 to Present

11. *Washington Urban League*
3501 14th Street
Washington, D.C. 20010
Chairman - 1975 to 1977
Member - 1970 to 1977

12. *Christian Century Foundation*
407 South Dearborn
Chicago, Illinois 60605
Director - 1970 to Present

13. *Greater Washington Board of Trade*
1129 20th Street, N.W.
Washington, D.C. 20036
Member - 1977 to Present

ROBERT C. LARSON
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Supplement to United States Senate Committee On Banking, Housing and Urban Affairs
Statement for Completion by Presidential Nominees

Attachment "A" – Organizations

14. *U.S. Conference of Mayors*
1620 Eye Street, N.W.
Washington, D.C. 20006
Allied member - 1986 to Present

15. *International Council of Shopping Centers*
665 Fifth Avenue
New York, NY 10022
Member - 1985 to Present

16. *Detroit Urban League*
208 Mack
Detroit, MI 48201
Member - 1988 to Present

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs Statement for Completion by Presidential Nominees

Attachment "B" – Employment History

1.	*The Taubman Company, Inc.* 200 East Long Lake Road Bloomfield Hills, MI 48303 (313) 258-7210	President and Chief Executive Officer President and Chief Operating Officer	1988 to Present 1978 to 1988
2.	*The Taubman Company, Inc.* 1055 Thomas Jefferson, N.W. Washington, D.C. 20007	Senior Vice President and General Manager, Eastern Operations	1974 to 1978
3.	*Georgetown Inland Corporation* 1054 31st Street, N.W. Washington, D.C. 20026	Vice President, General Manager	1970 to 1974
4.	*Inland Steel Container Company* *Division of Inland Steel Company* 9612 Meech Cleveland, OH 44105	Sales Manager, East Central Region	1967 to 1970
5.	*Inland Steel Container Company* *Division of Inland Steel Company* 4300 West 130th Street Chicago, IL 60658	Manager, Market Development	1963 to 1967
6.	*Inland Steel Container Company* *Division of Inland Steel Company* 6532 South Menard Avenue Chicago, IL 60638	Sales Representative Staff Assistant to the Manager, Market and Trade Relations Sales Correspondent Customer Serviceman, Drums Staff Assistant, Marketing	1960 to 1963 1960 1958 to 1960 1958 1957 to 1958
7.	*Inland Steel Company* 30 West Monroe Chicago, IL 60603	Management Trainee	1956 to 1957

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs Statement for Completion by Presidential Nominees

Attachment "C" – Political Affiliations and Activities

I have not maintained records that would provide the basis for a definitive listing. However, I have, from time to time, served on various committees endorsing or supporting candidates; have made contributions that may have implied, or resulted in, membership in political groups or organizations; have, recently and publicly, endorsed and supported Democratic candidates for President, Governor and United States Senator and currently am a Trustee of the Democratic National Committee. I have not held an office in a political party or organization.

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs
Statement for Completion by Presidential Nominees

Robert C. Larson – RCL, Karen C. Larson – KCL

ATTACHMENT "D" – POLITICAL CONTRIBUTIONS

Date	*Contributor*	*Contribution Made To:*		*Amount*
04/30/82	RCL	Friends of Mayor Dave Sills		$ 500
05/11/83	RCL	National Realty Political Action Committee		1,000
09/21/83	RCL	Michigan Democratic Party		1,000
01/27/84	RCL	Michigan Democratic Party		1,000
04/05/84	RCL	Citizens for Dave Honigman	$ 200	
07/06/84	RCL	Citizens for Dave Honigman	300	
		Total		500
03/08/85	RCL	Michigan Democratic Party	250	
05/01/85	RCL	Michigan Democratic Party	250	
08/16/85	RCL	Michigan Democratic Party	250	
10/27/85	RCL	Michigan Democratic Party	250	
12/23/85	RCL	Michigan Democratic Party	1,000	
		Total		2,000
04/02/85	RCL	National Realty Political Action Committee		1,000
07/16/85	RCL	California Business Properties Political Action Committee		500
09/06/85	RCL	Democratic Senatorial Campaign Committee		500
05/29/86	RCL	National Realty Political Action Committee		2,500
06/12/86	RCL	Committee to Elect Bernard Friedman		500
06/17/86	RCL	Dole for Senate Committee		1,000
06/23/86	RCL	Citizens for Dave Honigman		500
06/30/86	RCL	Dick Celeste Committee for Governor		1,000
09/15/86	RCL	The Vice President's Exploratory Account		750
09/30/86	RCL	Committee for 100th Congress - Charlie Rangel		1,000
04/01/87	RCL	Michigan Democratic Party		1,000
05/21/87	RCL	Bill Boner for Mayor		500
06/08/87	RCL	Riegle for Senate Committee		2,000
06/09/87	RCL	National Realty Political Action Committee		2,500
07/01/87	RCL	Broomfield Campaign Committee		1,000
10/07/87	RCL	George Bush for President		2,000
10/20/87	RCL	Dole for President		2,000

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs
Statement for Completion by Presidential Nominees

Robert C. Larson - RCL, Karen C. Larson - KCL

ATTACHMENT "D" - POLITICAL CONTRIBUTIONS

Date	*Contributor*	*Contribution Made To:*		*Amount*
01/29/88	RCL	George Bush for President (Refund)		$ (750)
03/07/88	RCL	Sosnick for Circuit Court	$ 500	
09/12/88	RCL	Sosnick for Circuit Court	500	
		Total		1,000
03/11/88	RCL	Gore for President Committee		1,000
03/11/88	RCL	Victory Fund 88 - Dukakis	1,000	
03/11/88	KCL	Victory Fund 88 - Dukakis	1,000	
09/23/88	RCL	Victory Fund 88 - Dukakis	50,000	
		Total		52,000
04/21/88	RCL	Michigan State Republican Party		5,000
05/26/88	RCL	People for John Heinz		1,000
06/14/88	RCL	National Realty Political Action Committee		2,500
06/27/88	RCL	Citizens for Yaroslavsky	1,000	
06/27/88	KCL	Citizens for Yaroslavsky	1,000	
		Total		2,000
07/07/88	KCL	Democratic National Committee - Federal	15,000	
07/07/88	RCL	Democratic National Committee - Federal	20,000	
07/07/88	RCL	Democratic National Committee - Non-Federal	15,000	
		Total		50,000
07/26/88	RCL	Friends of Senator C. Levin	100	
11/15/88	KCL	Friends of Senator C. Levin	1,000	
11/15/88	KCL	Friends of Senator C. Levin	1,000	
11/28/88	RCL	Friends of Senator C. Levin	1,000	
11/30/88	RCL	Friends of Senator C. Levin	900	
		Total		4,000
08/25/88	RCL	Blanchard for Governor		1,500
10/26/88	RCL	Citizens for Dave Honigman		500
11/01/88	KCL	Pete Dawkins for United States Senate		1,000
11/03/88	RCL	Lana Pollack for Congress		500
12/08/88	RCL	Hospital Association Political Action Committee		1,000

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs
Statement for Completion by Presidential Nominees

Robert C. Larson - RCL, Karen C. Larson - KCL

ATTACHMENT "D" - POLITICAL CONTRIBUTIONS

Date	*Contributor*	*Contribution Made To:*		*Amount*
01/04/89	RCL	Bob Farmer for Treasurer		$ 1,000
02/22/89	RCL	Mayor Young's Re-Election Committee	$ 1,800	
02/22/89	RCL	Mayor Young's Re-Election Committee	1,000	
		Total		2,800
02/28/89	RCL	Citizens for Yaroslavsky (Refund)		(678)
05/09/89	RCL	National Realty Political Action Committee		2,500
05/11/89	RCL	Citizens for Dave Honigman	450	
08/31/89	KCL	Citizens for Dave Honigman	50	
09/12/89	KCL	Citizens for Dave Honigman	500	
		Total		1,000
07/28/89	RCL	Democratic National Committee		10,000
08/24/89	RCL	New Yorkers for Koch 1989		3,000
09/08/89	RCL	Cynthia Cecil Lazarus for Columbus		1,000
10/13/89	RCL	Committee for David Dinkins		1,000

ROBERT C. LARSON
S.S.# 474-36-7511

Supplement to United States Senate Committee On Banking, Housing and Urban Affairs Statement for Completion by Presidential Nominees

Attachment "E" – Civil, Criminal and Investigatory Actions

I have never been charged or convicted of a felony offense, but on December 31, 1982, I was wrongfully arrested, along with my wife, by the Bloomfield Township, Michigan, Police for an alleged violation of the State of Michigan's kidnapping statute, M.C.L. Section 750.349. The arrest arose out of the attempt by my wife, on professional advice and as the result of thorough research, to intervene in her two daughter's involvement with a religious cult practicing mind control. The girls had been exposed to a systematic manipulation of their living environment and minds, resulting in intense peer pressure, disproportionate financial demands, intensive sessions involving speaking tongues, instruction in techniques to raise the dead and extreme alienation from family and friends. My wife retained the services of a group of counselors with experience in exit counseling and mind-control cults to "deprogram" her daughters and help them regain their freedom of thought. In order to separate the girls from the cult so that the deprogramming could succeed, on a visit home, my wife took her daughters to one of our houses in Bloomfield Hills to be deprogrammed by the counselors. The girls were not abducted. Unfortunately, one of the members of the group, to our shock and outrage, sought to make profit of the situation by making an extortion demand on the girls' father, and the father, properly, called the authorities.

After a complete investigation, the Oakland County, Michigan, Prosecutor declined to authorize arrest warrants against my wife and me. He did prosecute the counselors, but each one was acquitted after a jury trial. Both daughters have since left the cult, are leading normal and productive lives and have resumed close family relationships.

News

Taubman Companies
The Taubman Company, Inc.
200 East Long Lake Road
Bloomfield Hills, MI 48303-0200
313 258-6811

CONTACT:

Corporate Affairs
313 258-6800

BACKGROUND - ROBERT C. LARSON

Robert C. Larson is president, chief executive officer and a director of The Taubman Company, Inc., one of the nation's leading owners, developers, and managers of retail and commercial real estate. He was elected president in 1978 and CEO in 1988, having joined the company in 1974 as senior vice president and director of eastern development activities.

Mr. Larson also serves on the board of The Taubman Investment Company, Inc., an affiliated investment firm that includes among its assets the Woodward & Lothrop and John Wanamaker department store chains; A&W Restaurants, Inc.; and an interest in Sotheby's Holdings, Inc., the parent company of Sotheby's, the world's oldest and largest fine art auctioneers.

(more)

ROBERT C. LARSON/2

A native of Minneapolis, Mr. Larson received his B.A. degree with distinction in government and international relations from Carleton College, Northfield, Minnesota. Following graduation in 1956, he joined the Inland Steel Company in Chicago. For the next 17 years he held management positions in Inland subsidiaries and divisions. Immediately prior to joining The Taubman Company, Mr. Larson was vice president of Inland Steel Development Corporation, Inland's real estate development subsidiary, and chief operating officer of the Washington-based Georgetown Inland Corporations.

Mr. Larson is chairman of the board of trustees of the National Urban League; chairman and a director of the National Realty Committee; immediate past chairman and a director of the Metropolitan Affairs Corporation of Detroit; a member of the Urban Land Institute; a trustee and executive committee member of Children's Hospital of Michigan and chairman of the hospital's $26 million Caring for Kids capital campaign; a trustee of the Citizens Research Council of Michigan; a director of the Detroit Economic Growth Corporation; a member of the Cranbrook Academy of Art Board of Governors; a trustee of Detroit Symphony Orchestra Hall, Inc.; and a member of the Advisory Board of the United Foundation of Detroit.

Mr. Larson is a resident of Bloomfield Hills, Michigan.

(more)

ROBERT C. LARSON/3

Founded in 1950, The Taubman Company has developed and constructed properties totaling more than 75 million square feet. The company is currently involved in the development of urban and suburban retail and mixed-use projects from coast to coast and manages 20 regional retail developments located in major metropolitan areas. The company is headquartered in Bloomfield Hills, Michigan, with offices in San Francisco and New York.

# # #

080489

OVERSIGHT BOARD
RESOLUTION TRUST CORPORATION
1825 Connecticut Avenue, N.W.
Washington, D.C. 20232

May 21, 1990

The Honorable Donald W. Riegle, Jr.
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
Washington, D.C. 20510

Dear Chairman Riegle:

At our confirmation hearing on April 3, we promised to respond for the record to a question about the policy of the Resolution Trust Corporation on payment of interest on collateralized thrift obligations following the appointment of a conservator or receiver.

Subsequent to April 3, the Board of Directors of the RTC adopted a policy on this subject with several important elements. The policy notes the legal right of the RTC, as conservator or receiver of a failed thrift, to call, redeem or prepay collateralized borrowings of the thrift, regardless of the terms of the obligations. The policy indicates that the RTC will take action to redeem or prepay such borrowings within 60 days after appointment of the receiver or conservator, and that interest will be payable at the contract rate up to the date of redemption or payment, to the extent of available collateral. If the RTC does not take such action within 60 days, then the terms of the contract will be enforceable during the pendency of the conservatorship or receivership.

It appears that this policy responds to the market sensitive nature of the obligations in question.

If we may be of further assistance in this matter, please let us know.

Sincerely yours,

Philip Jackson
Independent Member

Robert Larson
Independent Member

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Jackson (LAST) Philip (FIRST) Chappell, Jr. (OTHER)

Position to which nominated: Member, Oversight Board Date of nomination: _____

Date of birth: 27 (DAY) Oct (MONTH) 1928 (YEAR) Place of birth: Birmingham, Alabama

Marital status: Married Full name of spouse: Barbara Ritch Jackson

Name and ages of children: Philip C. Jackson, III (33)
Ellen J. Smith (34)
Florence J. Parsons (29)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Birmingham-Southern College	1945-47	--	
University of Alabama	1947-49	BS	Aug 1949
Birmingham-Southern College	1989-date		

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Mortgage Banker of the year 1969

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Mortgage Bankers Assn. of America	President	1971 - 1972
Birmingham Alabama Real Estate Board	President	1961
Methodist Homes for the Aging	Vice Chairman	1968 - 1970
Metropolitan Y.M.C.A. of Birmingham	President	1974
Birmingham-Southern College	Trustee	1980 to date
Huntingdon College	Trustee	1970 - 1975
First United Methodist Church	Chairman and Trustee	1978-88 and to date

Employment record: List below all positions held since college, including the title or description of job, name of employment, location of work, and dates of inclusive employment.

1949-1975	Vice President, Jackson Company, Birmingham, Alabama
1965	Consultant, U.S. Alliance for Progress, Caracas, Venezuela
1975-1978	Member, Board of Governors of the Federal Reserve System, Washington, D.C.
1978-1979	Consultant and Outside Director of Several Corporation, Chevy Case, Maryland
1979-1980	President, International Realty Corporation, Birmingham, Alabama
1980-1989	Vice Chairman, Central Bank of the South Birmingham, Alabama
1989-Present	Adjunct Professor, Birmingham-Southern College Birmingham, Alabama
1980-Present	Director, Jackson Insurance Agency, Birmingham, Alabama
1980-Present	Director, International Realty Corporation
1979-Present	Director, USG Corporation, Chicago, Illinois

Government experience: List any experience in or direct association with Federal, State, or local governments, including any advisory, consultative, honorary or other part-time service or positions.

1965 Consultant, U.S. Alliance for Progress
Caracas, Venezuela

1972 Consultant, Department of Housing and Urban Development
Madrid, Spain

1974 Chairman, Advisory Board, Federal National Mortgage Association
Washington, D.C.

1975 -1978 Member, Board of Governors of the Federal Reserve System
Washington, D.C.

1983 Consultant, Alabama State Housing Finance Agency
Montgomery, Alabama

Published writings: List the titles, publishers and dates of books, articles, reports or other published materials you have written.

Contributing Author "Mortgage Banking" by Pease and Cherington, McGraw Hill

Political affiliations and activities: List all memberships and offices held in and services rendered to all political parties or election committees during the last 10 years.

Member, Alabama Republican Party

Political contributions: Itemize all political contributions of $500 or more to any individual, campaign organization, political party, political action committee or similar entity during the last eight years and identify the specific amounts, dates, and names of the recipients.

$1,200 Annually to Central Bank of the South PAC recipients unknown
$ 600 Bush Presidential Campaign

Qualifications: State fully your qualifications to serve in the position to which you have been named.

(attach sheet) I have been engaged in the mortgage banking business; the real estate appraisal, management and sale business; the commercial banking business; the motel, office building, and land development business; and have served as a Federal Reserve Governor and advisor to the Department of HUD

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

No. I will continue to teach at Birmingham-Southern College and serve as a director of several corporation.

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

NONE

3. Has anybody made you a commitment to a job after you leave government?

NO

4. Do you expect to serve the full term for which you have been appointed?

YES

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NONE KNOWN

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

NONE KNOWN

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE KNOWN

4. List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or affecting the administration and execution of national law or public policy.

NONE

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

While I do not anticipate any conflict between my official duties and private interests, should such conflict arise, I will promptly contact the Oversight Board's ethics officials and take whatever action is deemed appropriate.

Civil, criminal and investigatory actions:

1. Give the full details of any civil or criminal proceeding in which you were a defendant or any inquiry or investigation by a Federal, State, or local agency in which you were the subject of the inquiry or investigation.

Named as defendant in a civil action pending before the County Court for Jefferson County, Alabama, for real estate commission in connection with land purchased by Quail Ridge Land Company.

2. Give the full details of any proceeding, inquiry or investigation by any professional association including any bar association in which you were the subject of the proceeding, inquiry or investigation.

NONE KNOWN